

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 EB-08 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 IO-13 EUR-12 /138 W
-----030494 070538Z/20

R 070454Z APR 78
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 5313
INFO AMEMBASSY CANBERRA
USMISSION GENEVA
AMEMBASSY PARIS
AMCONSUL AUCKLAND POUCH

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PARIS FOR USOECD

E.O. 11652: N/A
TAGS: BEXP, ECON, EIND, ETRD, NZ
SUBJECT: 1978/79 IMPORT LICENSING SCHEDULE MORE LIBERAL
- THAN ITS RECENT PREDECESSORS

REF: WELLINGTON 1493

1. SUMMARY: NEW ZEALAND'S IMPORT LICENSING SCHEDULE FOR THE YEAR BEGINNING JULY 1, 1978, WAS RELEASED TO THE PUBLIC APRIL 6. A QUICK REVIEW SUGGESTS THAT, ON BALANCE, IT WILL NOT HAVE AN INJURIOUS EFFECT ON U.S. EXPORTS TO NEW ZEALAND. AT A TIME WHEN NEW ZEALAND'S EXTERNAL ACCOUNTS ARE IN SEVERE DEFICIT, HOWEVER, THE GOVERNMENT HAS CHOSEN IN THIS NEW SCHEDULE TO LIBERALIZE IMPORT LICENSING, IF ONLY MODESTLY; THIS INDICATES A WILLINGNESS EVEN IN TRYING TIMES TO RESIST PRESSURES
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TO KEEP THE LID ON IMPORTS. END SUMMARY.

2. THE IMPORT LICENSING SCHEDULE TRADITIONALLY PROVIDES THREE OPTIONS WITHIN ONE OF WHICH EVERY PRODUCT IMPORTED INTO NEW ZEALAND MUST FALL. THE BULK OF IMPORTS (OVER 70 PERCENT BY VALUE AT THE PRESENT TIME) ARE "EXEMPT" FROM LICENSING, AND MAY BE IMPORTED

WITHOUT ANY QUOTA LIMITATION. A VERY SMALL PROPORTION OF IMPORTS (PROBABLY LESS THAN 3 PERCENT BY VALUE) FALL WITHIN CATEGORY "C", MEANING THAT EACH AND EVERY IMPORTATION MUST BE APPROVED IN ADVANCE AND AD HOC BY THE GOVERNMENT. BETWEEN THESE TWO EXTREMES ARE THE "BASIC" ITEMS FOR WHICH THE LICENSING SCHEDULE PROVIDES A MAXIMUM VALUATION, FOR TOTAL IMPORTS DURING THE YEAR; WITHIN THIS TOTAL, LICENSES ARE ISSUED SETTING SPECIFIC MAXIMA FOR INDIVIDUAL IMPORTERS.

3. IN THE LAST THREE LICENSING YEARS, "BASIC" LICENSES HAVE GENERALLY BEEN MADE AVAILABLE AT THE RATE OF 100 PERCENT OF THE VALUE ALLOCATED IN THE PRECEDING YEAR. THE NET EFFECT OVER THE THREE YEARS HAS BEEN A DRAMATIC DECLINE IN THE PERMITTED VOLUME OF IMPORTS OF PRODUCTS SUBJECT TO BASIC LICENSING AS INFLATION HAS TAKEN ITS TOLL. RECOGNIZING THIS CUMULATIVE EFFECT, AND ACKNOWLEDGING THE ROLE IMPORTS PLAY IN THE DEVELOPMENT OF NEW ZEALAND EXPORTS AND IN MAINTAINING EFFECTIVE COMPETITION IN THE DOMESTIC MARKETPLACE, THE GOVERNMENT HAS DECIDED FOR 1978/1979, IN GENERAL, TO ASSIGN ALLOCATIONS OF 107 1/2 PERCENT OF THE PREVIOUS YEAR'S IMPORTS FOR CONSUMER GOODS SUBJECT TO BASIC LICENSING, AND 112 1/2 PERCENT FOR OTHER ITEMS IN THE "BASIC" CATEGORY.

4. AS IN THE PAST, THE DOOR IS LEFT OPEN FOR APPLICATIONS LIMITED OFFICIAL USE

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TIONS FOR LICENSES ABOVE THE BASIC ALLOTMENT, BUT NOT FOR IMPORTS OF CONSUMER GOODS. JUDGMENT ON EACH SUCH APPLICATION WILL BE MADE AD HOC, AND APPROVALS WILL BE POSSIBLE ONLY WHERE THERE IS NO LOCALLY MADE ALTERNATIVE PRODUCT AVAILABLE. MANUFACTURERS' REQUIREMENTS FOR RAW MATERIALS, COMPONENTS, AND CAPITAL GOODS WILL BE THE PRIORITY CATEGORIES FOR SUCH ADDITIONAL LICENSES, AND APPLICATIONS INVOLVING EXPORT PRODUCTION WILL RECEIVE TOP PRIORITY.

5. A LIMITED BUDGET HAS BEEN SET ASIDE TO MAKE IT POSSIBLE FOR BONA FIDE NEW IMPORTERS WITHOUT A LICENSING HISTORY TO ACQUIRE LICENSES; IN ADDITION, AN IN-DEPTH REVIEW WILL BE MADE OVER THE COMING YEAR INTO THE USAGE OF IMPORT LICENSES IN TEN SPECIFIC PRODUCT SECTORS. THESE MOVES ARE AN INITIAL ATTEMPT TO DEAL WITH A LICENSING SYSTEM WHICH HAS BEEN IN EXISTENCE FOR 40 YEARS AND IN WHICH LICENSES ARE AVAILABLE EACH YEAR ONLY TO FIRMS WHICH HAD THEM THE YEAR BEFORE. AS FIRMS HAVE GONE OUT OF BUSINESS, OR CHANGED THEIR PRODUCT LINES, OR AS NEW FIRMS HAVE APPEARED ON THE HORIZON, THE SYSTEM HAS NOT READILY ADAPTED TO CHANGE. THESE

TWO PROVISIONS ARE AN EFFORT TO BEGIN GRAPPLING WITH THAT PROBLEM. IN THE VIEW OF NEW ZEALAND GOVERNMENT OFFICIALS, THESE PROVISIONS WILL NOT OBLIGATE THE NEED FOR SPECIAL IMPORT LICENSES (SEE REFTEL) WHICH ARE TEMPORARY IN NATURE AND PROVIDE SELECTED LDC AND STATE-TRADING COUNTRIES A MEANS TO INTRODUCE NEW PRODUCTS INTO THE LOCAL MARKETPLACE.

6. EMBASSY COMMENT: THERE HAVE BEEN THE PREDICTABLE REGROUPINGS AND RENUMBERINGS OF SOME PRODUCTS, MAINLY REFLECTING THE CONVERSION TO A COMPLETELY REVISED NEW ZEALAND TARIFF WHICH TAKES EFFECT JULY 1. THE BASIC DIVISION OF COMMODITIES BETWEEN THE THREE LICENSING OPTIONS (EXEMPT, BASIC, OR C) HAS CHANGED

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ONLY MARGINALLY. A QUICK REVIEW OF THOSE ITEMS OF GREATEST INTEREST TO U.S. EXPORTERS SUGGESTS THAT THEY HAVE LITTLE CAUSE FOR CONCERN IN THE COMING LICENSING YEAR. THE PROVISION FOR GROWTH OVER AND ABOVE 100 PERCENT OF THE PREVIOUS YEAR'S IMPORTS OF BASIC ITEMS WILL BE A PLEASANT CHANGE.

7. THOSE VERY PROVISIONS WILL LEAD TO SOME POLITICAL FLACK, HOWEVER. THE COUNTRY CONTINUES TO RUN A CURRENT ACCOUNT DEFICIT WHICH IS UNSUSTAINABLE OVER THE LONGER TERM; PRODUCTION IS DOWN; UNEMPLOYMENT IS UP; AND WHILE

IMPORT PAYMENTS FELL DURING THE LAST HALF OF 1977,
PROSPECTS FOR SIGNIFICANT GROWTH IN EXPORT EARNINGS
THIS YEAR ARE DIM AND THE INVISIBLES DEFICIT IS LARGE
AND GROWING. OPPOSITION SPOKESMEN WILL PROBABLY CLAIM
THAT THE GOVERNMENT IS OPENING THE FLOODGATES TO
IMPORTS AT THE VERY TIME WHEN THEY SHOULD BE RESTRICTED
EVEN FURTHER. IN FACT, THE IMPACT OF THE LIBERALIZATION
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ON "BASIC" ITEMS WILL BE SMALL, RESULTING AT THE MOST
IN AN INCREASE OF 3 PERCENT IN THE VALUE OF TOTAL
IMPORTS. NONETHELESS, IN NEW ZEALAND'S PRESENT ECONOMIC
CLIMATE, THE DECISION TO LIBERALIZE EVEN MODESTLY IS
A REFRESHING ONE, AND ILLUSTRATES THE GOVERNMENT'S
WILLINGNESS TO RESIST TEMPTATIONS TO TIGHTEN UP ON
IMPORTS. IT WOULD HAVE BEEN EASY TO CONTINUE WITH
THE 100-PERCENT-OF-LAST-YEAR FORMULA FOR YET ANOTHER
YEAR. THAT THE GOVERNMENT HAS CHOSEN TO LIBERALIZE,
IF ONLY MODESTLY, REFLECTS POLITICAL WILL, AND SOME
POLITICAL COURAGE.

8. COPIES OF THE SCHEDULE ARE BEING POUCHED TO THE
DEPARTMENT (EA/ANP), TO USDOC (OIM), GENEVA AND PARIS.
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